

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a Petition by Great Plains
Natural Gas Company, a Division of MDU
Resources Group, Inc., for Authority to
Increase Natural Gas Rates in Minnesota

**FINDINGS OF FACT,
CONCLUSIONS, AND ORDER
SUBMITTING SETTLEMENT**

The above-entitled matter came before Administrative Law Judge Steve M. Mihalchick on June 13, 2003, upon the joint petition of the parties that a stipulation be approved. At that hearing, staff of the Minnesota Public Utilities Commission made several inquiries about the stipulation. Great Plains Natural Gas Company and the Minnesota Department of Commerce requested an opportunity to provide additional information. That information was filed on July 3, 2003.

The following appearances have been made in this matter:

Lisa Pritchard Bayley and Byron E. Starns, Leonard Street & Deinard, Suite 2300, 150 South Fifth Street, Minneapolis, MN 55402 and Donald R. Ball, Montana-Dakota Utilities Co., 400 North 5th Street, Bismarck, ND 58501, appeared on behalf of the Great Plains Natural Gas Co (Great Plains).

Ginny Zeller, Assistant Attorney General, Suite 200, 525 Park Street, St. Paul, Minnesota 55103-2106, and Vince Chavez, Public Utilities Rates Evaluation Supervisor, 85 7th Place East, Suite 500, St Paul, MN 55101-2198, appeared on behalf of the Minnesota Department Commerce (Commerce).

Clark Kaml, Public Utilities Rates Analyst; Jerry Dasinger, Public Utilities Financial Analyst; and Robert Harding, Public Utilities Rates Analyst, appeared as Commission Staff.

Based upon record herein, the Administrative Law Judge makes the following:

FINDINGS OF FACT

1. On October 7, 2002, Great Plains filed a petition with the Minnesota Public Utilities Commission (the Commission) for authority to increase the rate charged by Great Plains for natural gas sold in Minnesota. Great Plains also requested a Miscellaneous Tariff Change to obtain the authority to use a new base gas cost calculation.

2. On November 19, 2002, the Commission issued its Notice and Order for Hearing, referring this matter to the Office of Administrative Hearings. Commerce was granted party status by the Commission in the Notice and Order for Hearing.

3. On April 10, 2003, a public hearing on Great Plain's Petition was held at the Minnesota Department of Health Distance Learning Center in Saint Paul. Remote hearing sites were established in Crookston, Fergus Falls, and Marshall to allow the public to participate by videoconference. Six members of the public appeared at the remote hearing sites. Commerce also participated. An evidentiary hearing was scheduled for June 4, 2003 to permit the examination of witnesses.

4. In April 2003, the parties reached agreement in principle to resolve the issues in this matter. Negotiations to finalize the agreement were pursued.

5. On May 13, 2003, Great Plains and Commerce filed a Stipulation and Agreement resolving the issues in this matter. An evidentiary hearing was scheduled for June 13, 2003, at the Commission's offices at Saint Paul, to permit inquiry into the factual support for the settlement.

6. The Stipulation and Agreement addresses, among other things, rate base, expenses, revenue adjustments, calculation of the cost of capital, and rate design. At the June 13, 2003 evidentiary hearing, Commission staff inquired into the application of the mains tariff and the cost justification for mains and service extensions. Great Plains and Commerce were afforded the opportunity to file evidence in response to those inquiries.

7. On July 3, 2003, the parties filed three affidavits, one from a Commerce Rate Analyst and two from Great Plains managers. These affidavits addressed the issues raised by the Commission staff.

Based upon the foregoing Findings of Fact, the Administrative Law Judge makes the following:

CONCLUSIONS

1. The Minnesota Public Utilities Commission and the Administrative Law Judge have jurisdiction in this matter pursuant to Minn. Stat. §§ 14.50 and 216B.16.

2. Great Plains is a utility whose rates are governed by Minn. Stat. Chapter 216B. Under the provisions of Minn. Stat. § 216B.16, Great Plains must demonstrate that any proposed rate change is just and reasonable.

3. Under the process set out in Minn. Stat. § 216B.16, subd. 1a (b), when the parties agree to settle the issues in dispute, the settlement is transmitted to the Commission, whereupon the settlement may be accepted or modified if it is found to be in the public interest.

THIS REPORT IS NOT AN ORDER AND NO AUTHORITY IS GRANTED HEREIN. THE PUBLIC UTILITIES COMMISSION WILL ISSUE THE ORDER OF AUTHORITY WHICH MAY ADOPT OR DIFFER FROM THE FOLLOWING RECOMMENDATIONS.

Based upon the foregoing Conclusions, the Administrative Law Judge makes the following:

ORDER

Pursuant to the provisions of Minn. Stat. § 216B.16, subd. 1a (b), the settlement agreed to by the parties is submitted to the Minnesota Public Utilities Commission to be accepted, rejected, or modified in accordance with the public interest.

Dated this 17th day of July 2003.

/s/ Steve M. Mihalchick

STEVE M. MIHALCHICK
Administrative Law Judge